



WILLIAM T FUJIOKA  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 713, Los Angeles, California 90012  
(213) 974-1101  
<http://ceo.lacounty.gov>

November 18, 2008

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Dear Supervisors:

### **APPROVAL TO EXTEND CONTRACT FOR MEDICAL MALPRACTICE, HOSPITAL LIABILITY CLAIMS ADMINISTRATION, AND LEGAL DEFENSE MANAGEMENT SERVICES (ALL DISTRICTS) (3-VOTES)**

#### **SUBJECT:**

To request approval of an amendment to extend the contract with Sedgwick Claims Management, Inc., to provide medical malpractice, hospital liability claims administration, and legal defense management services.

#### **IT IS RECOMMENDED THAT YOUR BOARD:**

Approve and instruct the Chair to sign Amendment No. 3 to extend contract Number 75928 for medical malpractice, hospital liability claims administration, and legal defense management services, for the remaining three option years, effective January 1, 2009 through December 31, 2011.

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On November 14, 2006, your Board approved and executed a contract with Octagon Risk Services, Inc., subsequently doing business as Sedgwick Claims Management, Inc. (Sedgwick), for a one-year term, with four annual renewal options to be approved by your Board. The purpose of this recommendation is to extend the existing contract for a three-year period to ensure that the County receives uninterrupted third party administrator (TPA) claim administration and legal defense management services for its medical malpractice and hospital liability self-insurance program.

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

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### **Implementation of Strategic Plan Goals**

The services provided under this contract support the County's Strategic Plan Goal 4, Fiscal Responsibility, by allowing the County to effectively manage its resources.

### **FISCAL IMPACT/FINANCING**

Funding for this Amendment is included in the Fiscal Year 2008-09 Adopted Budget and will be requested as a continuing appropriation in future fiscal years.

In accordance with County of Los Angeles (County) policy, the contract contains a Cost of Living Adjustment (COLA) provision, whereby, the Chief Executive Office (CEO) may increase the contractor's compensation during the option years, capped at the lesser of the generated salary movement percentage for County employees or the Consumer Price Index for Urban Consumers (CPI-U).

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On November 14, 2006, your Board approved the existing contract for a one-year term, effective January 1, 2007 through December 31, 2007, with four annual renewal options to be approved by your Board. On December 4, 2007, your Board approved the first-option year, your Board further instructed the CEO to provide the results of the annual audit of Sedgwick's performance for each year of the contract.

The CEO engaged the services of Warren, McVeigh and Griffin, Inc. (Consultant), to perform an audit of the medical malpractice, hospital, and general liability claims administered by Sedgwick. The Consultant reviewed 50 claims from Fiscal Year 2007-08, using the County's audit tool to measure the timeliness and effectiveness of Sedgwick's claim handling procedures and to ensure compliance with the contract requirements. The results of the audit placed Sedgwick's overall claims administration performance at 85 percent, which is consistent with last year's performance rating. No negative performance issues were identified. The Consultant concluded that based on the average time spent investigating a typical claim, Sedgwick's performance is above the industry standard for claim adjusting. The level of investigation completed by Sedgwick and amount of time spent on adjusted claims far exceeds the average level of investigation and time spent by most insurance companies, and is comparable to that of an insurance company specializing in high-exposure or catastrophic claims. The Consultant further concluded that Sedgwick's claim administration process is properly structured to handle the County's claims needs.

The attached Amendment has been approved as to form by County Counsel.

The Honorable Board of Supervisors  
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### **IMPACT ON CURRENT SERVICES**

This Amendment will assure uninterrupted medical malpractice TPA claim adjusting to the CEO and to the Departments of Coroner, County Counsel, Fire, Health Services, Mental Health, and Sheriff.

### **CONCLUSION**

Upon approval by your Board, please return two original signed amendments and an adopted stamped copy of this letter to the CEO, Risk Management Branch.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

WTF:RAA  
KG:MH:km

Attachment

c:     Executive Officer, Board of Supervisors  
         County Counsel  
         Auditor-Controller  
         Department of Health Services  
         Sheriff's Department  
         Department of Mental Health  
         Department of Coroner  
         Fire Department

**CONTRACT NO. 75928 FOR MEDICAL MALPRACTICE,  
HOSPITAL LIABILITY CLAIMS ADMINISTRATION AND  
LEGAL DEFENSE MANAGEMENT SERVICES**

**AMENDMENT NO. 3**

**WHEREAS**, on November 14, 2006, the County of Los Angeles (hereinafter "County") entered into a Contract with Octagon Risk Services, Inc., subsequently changed to Sedgwick Claims Management, Inc. (hereinafter "Contractor") for the provision of medical malpractice, hospital liability claims administration and legal defense management services, for a period of one year beginning January 1, 2007 through December 31, 2007, with four annual renewal options to be approved by the County's Board of Supervisors; and

**WHEREAS**, on December 4, 2007, the Board approved Amendment No. 2 which extended the Contract for one year, effective January 1, 2008 through December 31, 2008

**WHEREAS**, the County and Contractor desire to extend the term of this Contract for an additional three years, effective January 1, 2009 through December 31, 2011;

**NOW THEREFORE**, in consideration of the mutual benefits derived therefrom, it is agreed between the parties that the Contract shall be amended as follows:

1. **Section 4.0, Term of Contract, shall be deleted in its entirety, and replaced as follows:**
  - 4.1 The term of the contract shall commence on January 1, 2007 and shall expire on December 2011, unless sooner terminated, in whole or in part as provided in this Contract.
  - 4.2 The Contractor shall notify the Chief Executive Office (CEO) when the contract is within six (6) months from expiration of the term as provided for herein above. Upon occurrence of this event, the Contractor shall send written notification to the CEO at the address herein provided in Exhibit D – County's Administration.
  - 4.3 In the event of expiration of the term of this Contract or termination prior to the expiration of the term of this Contract, the Contractor shall fully cooperate with County to provide for the transition to whatever service replacement method the County determines to be in its best interest.
2. **Except for the changes set forth herein above, the Contract shall not be changed in any respect by the Amendment.**

75928

Supplement No.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 3 to be executed on its behalf by its duly authorized officers, effective upon approval by the Board of Supervisors.

SEDGWICK CLAIMS MANAGEMENT  
SERVICES, INC.

COUNTY OF LOS ANGELES

By   
Jeffery S. Glatstein, Esq.

By   
Chair, Board of Supervisors

Corp. Counsel  
Title

ATTEST:

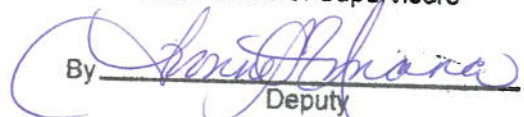
SACHI A. HAMAI  
Executive Officer-Clerk  
of the Board of Supervisors



I hereby certify that pursuant to  
Section 25103 of the Government Code,  
delivery of this document has been made.


SACHI A. HAMAI  
Executive Officer  
Clerk of the Board of Supervisors

By   
Deputy

By   
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.  
County Counsel

By   
Allison Morse  
Deputy County Counsel

**ADOPTED**  
BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

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NOV 18 2008

  
SACHI A. HAMAI  
EXECUTIVE OFFICER

75928

Supplement No.

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